

BEFORE THE PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

Application of Pacific Gas and Electric Company
for an Order Approving an Amendment to the
Power Purchase Agreement for Long-Term
Energy and Capacity Between Pacific Gas and
Electric Company and Oildale Energy LLC, a
California limited liability company.

Application 02-01-042

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**ADMINISTRATIVE LAW JUDGE'S RULING REQUESTING
SUPPLEMENTAL INFORMATION**

This ruling requests supplemental information from Pacific Gas and Electric Company (PG&E) regarding its Application (A.) 02-01-042.

PG&E filed A.02-01-042 and a Motion for an Expedited Order Approving an Amendment to the Power Purchase Agreement between PG&E and Oildale Energy LLC, a California limited liability company (Oildale) on January 31, 2002 (Application). On February 11, 2002 PG&E filed a Supplemental Filing in support of its Application.

Attached to PG&E's Application is the Declaration of John S. Pappas (Declaration) in support of the Application. The Declaration provides information regarding the history of the relationship between PG&E and Oildale. The Declaration states that Oildale and PG&E entered into a Power Purchase Agreement (PPA) in March 1985. Beginning February 1, 2002 PG&E failed to pay the full amount due to Oildale under the PPA. PG&E asserted it was excused

from making the payments based on a claim of force majeure; Oildale protests such assertion. After negotiations between PG&E and Oildale regarding amendments to the PPA, PG&E and Oildale reached an agreement on January 16, 2002 modifying the PPA (Third Amendment) and providing a 3-½ year fixed energy price of 5.37 cents per kilowatt-hour (kWh). Since this agreement occurred after July 31, 2001¹, PG&E must seek Commission approval and justify its agreement. The Application and Declaration state that justification is based on reducing the term of the fixed price from five years to 3-½ years, and argue that this fixed price also avoids the uncertainty in future gas prices under the Short Run Avoided Cost (SRAC) formula payment methodology. However, as also stated in the Declaration the energy payment price of 5.37 cents per kWh represents a “premium” over the forecasted value for SRAC for that same period. PG&E believes this premium is reasonable due to the market stability attained.

This ruling requests that PG&E provide further information to justify its application including projections of energy costs for the 3-½ year term of the agreement and the amount of the premium paid during the 3-½ year term.² The requested information shall include energy costs, payments that would otherwise be paid at projected SRAC prices, and any other information pertinent to justifying the Third Amendment.

¹ Decision (D.) 01-09-021 established that contract amendments under the provisions in D.01-06-015 were reasonable if negotiated and filed with the Commission on or before July 31, 2001.

² PG&E in its February 11, 2002 Supplemental Information filing provided that should the Commission require additional information, PG&E is prepared to provide it promptly and in writing.

PG&E states in its motion that expeditious approval of this application is necessary in order to provide economic viability of the Third Amendment that will allow Oildale to purchase natural gas at favorable prices. In order to analyze the required information in an expeditious manner PG&E is requested to file this information as soon as possible.

Therefore, **IT IS RULED** that:

1. Additional information is required to justify Pacific Gas & Electric (PG&E's) Application 02-01-042.
2. PG&E shall provide supplemental information including projections of energy costs under the proposed Third Amendment and projections of energy costs under the current Short Run Avoided Cost formula on an annual basis for the 3-½ year term of the Third Amendment.
3. PG&E shall provide any pertinent information justifying the reasonableness of payment of a premium by ratepayers for the proposed energy deliveries by Oildale Energy LLC, a California limited liability company .

Dated March 15, 2002, at San Francisco, California.

/s/ BRUCE DE BERRY

Bruce DeBerry
Administrative Law Judge

CERTIFICATE OF SERVICE

I certify that I have by mail this day served a true copy of the original attached Administrative Law Judge's Ruling Requesting Supplemental Information on all parties of record in this proceeding or their attorneys of record.

Dated March 15, 2002, at San Francisco, California.

/s/ JACQUELINE GORZUCH
Jacqueline Gorzoch

N O T I C E

Parties should notify the Process Office, Public Utilities Commission, 505 Van Ness Avenue, Room 2000, San Francisco, CA 94102, of any change of address to insure that they continue to receive documents. You must indicate the proceeding number on the service list on which your name appears.

The Commission's policy is to schedule hearings (meetings, workshops, etc.) in locations that are accessible to people with disabilities. To verify that a particular location is accessible, call: Calendar Clerk (415) 703-1203.

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